

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

July 24, 2001

Ms. Lisa Frierson, Administrator
Dr. Ronald E. McNair Memorial Nursing Center
Post Office Box 1688
Lake City, South Carolina 29560

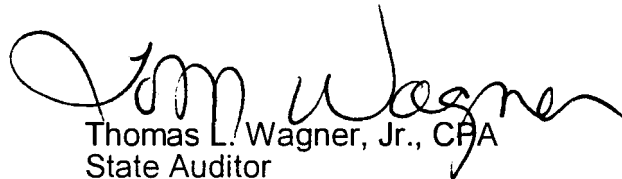
Re: AC# 3-RMM-J8 – Dr. Ronald E. McNair Memorial Nursing Center

Dear Ms. Frierson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
LAKE CITY, SOUTH CAROLINA**

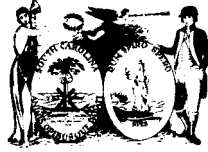
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-RMM-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 13, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Dr. Ronald E. McNair Memorial Nursing Center, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

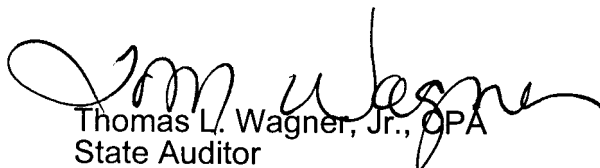
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Dr. Ronald E. McNair Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Dr. Ronald E. McNair Memorial Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 13, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-RMM-J8

10/01/99-
09/30/00

Interim reimbursement rate (1)	\$72.92
Adjusted reimbursement rate	<u>68.81</u>
Decrease in reimbursement rate	\$ <u><u>4.11</u></u>

- (1) Interim reimbursement rate from the South Carolina Department of Health and Human Services in a letter dated August 9, 2000.

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-RMM-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$30.35	\$50.93	
Dietary		7.47	10.24	
Laundry/Housekeeping/Maint.		<u>5.60</u>	<u>8.89</u>	
Subtotal	<u>\$4.90</u>	43.42	70.06	\$43.42
Administration & Med. Rec.	<u>\$3.93</u>	<u>7.46</u>	<u>11.39</u>	<u>7.46</u>
Subtotal		50.88	<u>\$81.45</u>	50.88
<u>Costs Not Subject to Standards:</u>				
Utilities		2.26		2.26
Special Services		-		-
Medical Supplies & Oxygen		2.08		2.08
Taxes and Insurance		1.86		1.86
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$57.08</u>		57.08
Inflation Factor (3.00%)				1.71
Cost of Capital				7.18
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.00
Cost Incentive				4.90
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.15)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.34</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$68.81</u>

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-RMM-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 946,124	\$ 1,400 (5)	\$ -	\$ 947,524
Dietary	233,115	-	-	233,115
Laundry	13,697	-	-	13,697
Housekeeping	120,418	-	-	120,418
Maintenance	40,806	-	-	40,806
Administration & Medical Records	339,119	-	66,000 (4) 10,142 (6) 30,191 (6)	232,786
Utilities	70,409	-	-	70,409
Special Services	-	-	-	-
Medical Supplies & Oxygen	64,922	-	-	64,922
Taxes & Insurance	70,967	-	12,856 (5)	58,111
Legal Fees	-	-	-	-
Cost of Capital	231,021	7,386 (2) <u>3,030 (3)</u>	17,346 (1)	224,091
Subtotal	2,130,598	11,816	136,535	2,005,879

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-RMM-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	51,608	-	-	51,608
Non-Allowable	72,843	66,000 (4)	7,386 (2)	180,216
		11,456 (5)	3,030 (3)	
	<u> </u>	<u>40,333 (6)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,255,049</u>	<u>\$129,605</u>	<u>\$146,951</u>	<u>\$2,237,703</u>
Total Patient Days	<u>31,219</u>	<u>-</u>	<u>-</u>	<u>31,219</u>
TOTAL BEDS	<u>88</u>			

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-RMM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$131,329	
	Cost of Capital		\$ 17,346
	Other Equity		113,983
	To adjust fixed assets and related depreciation expense HIM-15-1, Section 2304		
2	Cost of Capital	7,386	
	Nonallowable		7,386
	To adjust capital return State Plan, Attachment 4.19D		
3	Cost of Capital	3,030	
	Nonallowable		3,030
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nonallowable	66,000	
	Administration		66,000
	To reclassify management fees State Plan, Attachment 4.19D		
5	Nonallowable	11,456	
	Restorative	1,400	
	Taxes and Insurance		12,856
	To adjust general insurance expense State Plan, Attachment 4.19D		

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-RMM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	40,333	
	Medical Records		10,142
	Administration		30,191
	To reclassify expenses to the proper cost center HIM-15-1, Section 2302.1		
		\$260,934	\$260,934
	TOTAL ADJUSTMENTS		

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

DR. RONALD E. MCNAIR MEMORIAL NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-RMM-J8

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>44</u>	<u>44</u>	
Deemed Asset Value	1,545,720	1,545,720	
Improvements Since 1981	368	367	
Accumulated Depreciation at 9/30/98	<u>(300,135)</u>	<u>(315,141)</u>	
Deemed Depreciated Value	1,245,953	1,230,946	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	78,495	77,550	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	78,495	77,550	
Depreciation Expense	41,236	43,298	
Amortization Expense	-	-	
Capital Related Income Offsets	(8,244)	(8,244)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	111,487	112,604	\$224,091
Total Patient Days (Actual Days)	<u>15,609</u>	<u>15,610</u>	<u>31,219</u>
Cost of Capital Per Diem	\$ <u>7.14</u>	\$ <u>7.21</u>	\$ <u>7.18</u>

2 copies of this document were published at an estimated printing cost of \$1.35 each, and a total printing cost of \$2.70. The FY 2001-02 Appropriation Act requires that this information on printing costs be added to the document.